

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 1002

To amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence.

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## IN THE SENATE OF THE UNITED STATES

JUNE 29 (legislative day, JUNE 19), 1995

Mr. CHAFEE (for himself, Mr. GRAHAM, Mr. PRYOR, Mr. JOHNSTON, and Mr. SIMON) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Historic Homeowner-  
5       ship Assistance Act”.

1 **SEC. 2. HISTORIC HOMEOWNERSHIP REHABILITATION**  
 2 **CREDIT.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-  
 4 chapter A of chapter 1 of the Internal Revenue Code of  
 5 1986 (relating to nonrefundable personal credits) is  
 6 amended by inserting after section 22 the following new  
 7 section:

8 **“SEC. 23. HISTORIC HOMEOWNERSHIP REHABILITATION**  
 9 **CREDIT.**

10 “(a) GENERAL RULE.—In the case of an individual,  
 11 there shall be allowed as a credit against the tax imposed  
 12 by this chapter for the taxable year an amount equal to  
 13 20 percent of the qualified rehabilitation expenditures  
 14 made by the taxpayer with respect to a qualified historic  
 15 home.

16 “(b) DOLLAR LIMITATION.—

17 “(1) IN GENERAL.—The credit allowed by sub-  
 18 section (a) with respect to any residence of a tax-  
 19 payer shall not exceed \$50,000 (\$25,000 in the case  
 20 of a married individual filing a separate return).

21 “(2) CARRYFORWARD OF CREDIT UNUSED BY  
 22 REASON OF LIMITATION BASED ON TAX LIABIL-  
 23 ITY.—If the credit allowable under subsection (a) for  
 24 any taxable year exceeds the limitation imposed by  
 25 section 26(a) for such taxable year reduced by the  
 26 sum of the credits allowable under this subpart

1 (other than this section), such excess shall be carried  
2 to the succeeding taxable year and added to the  
3 credit allowable under subsection (a) for such suc-  
4 ceeding taxable year.

5 “(c) QUALIFIED REHABILITATION EXPENDITURE.—

6 For purposes of this section:

7 “(1) IN GENERAL.—The term ‘qualified reha-  
8 bilitation expenditure’ means any amount properly  
9 chargeable to capital account—

10 “(A) in connection with the certified reha-  
11 bilitation of a qualified historic home, and

12 “(B) for property for which depreciation  
13 would be allowable under section 168 if the  
14 qualified historic home were used in a trade or  
15 business.

16 “(2) CERTAIN EXPENDITURES NOT IN-  
17 CLUDED.—

18 “(A) EXTERIOR.—Such term shall not in-  
19 clude any expenditure in connection with the re-  
20 habilitation of a building unless at least 5 per-  
21 cent of the total expenditures made in the reha-  
22 bilitation process are allocable to the rehabilita-  
23 tion of the exterior of such building.

1           “(B) OTHER RULES TO APPLY.—Rules  
2           similar to the rules of clauses (ii) and (iii) of  
3           section 47(c)(2)(B) shall apply.

4           “(3) MIXED USE OR MULTIFAMILY BUILDING.—  
5           If only a portion of a building is used as the prin-  
6           cipal residence of the taxpayer, only qualified reha-  
7           bilitation expenditures which are properly allocable  
8           to such portion shall be taken into account under  
9           this section.

10          “(d) CERTIFIED REHABILITATION.—For purposes of  
11 this section—

12           “(1) IN GENERAL.—Except as otherwise pro-  
13           vided in this subsection, the term ‘certified rehabili-  
14           tation’ has the meaning given such term by section  
15           47(c)(2)(C).

16           “(2) FACTORS TO BE CONSIDERED IN THE  
17 CASE OF TARGETED AREA RESIDENCES, ETC.—

18           “(A) IN GENERAL.—For purposes of ap-  
19           plying section 47(c)(2)(C) under this section  
20           with respect to the rehabilitation of a building  
21           to which this paragraph applies, consideration  
22           shall be given to—

23                   “(i) the feasibility of preserving exist-  
24                   ing architectural and design elements of  
25                   the interior of such building,

1 “(ii) the risk of further deterioration  
2 or demolition of such building in the event  
3 that certification is denied because of the  
4 failure to preserve such interior elements,  
5 and

6 “(iii) the effects of such deterioration  
7 or demolition on neighboring historic prop-  
8 erties.

9 “(B) BUILDINGS TO WHICH THIS PARA-  
10 GRAPH APPLIES.—This paragraph shall apply  
11 with respect to any building—

12 “(i) any part of which is a targeted  
13 area residence within the meaning of sec-  
14 tion 143(j)(1), or

15 “(ii) which is located within an enter-  
16 prise or empowerment zone,

17 but shall not apply with respect to any building  
18 which is listed in the National Register.

19 “(3) COOPERATIVE AGREEMENTS.—The term  
20 ‘certified rehabilitation’ includes a certification made  
21 in accordance with a contract or cooperative agree-  
22 ment between the Secretary of the Interior and a  
23 State Historic Preservation Officer which authorizes  
24 such officer (or a local government certified pursu-  
25 ant to section 101(c)(1) of the National Historic

1 Preservation Act), subject to such terms or condi-  
 2 tions as may be specified in such agreement, to cer-  
 3 tify the rehabilitation of buildings within the juris-  
 4 diction of such officer (or local government) for pur-  
 5 poses of this section.

6 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
 7 poses of this section:

8 “(1) QUALIFIED HISTORIC HOME.—The term  
 9 ‘qualified historic home’ means a certified historic  
 10 structure—

11 “(A) which has been substantially rehabili-  
 12 tated, and

13 “(B) which (or any portion of which)—

14 “(i) is owned by the taxpayer, and

15 “(ii) is used (or will, within a reason-  
 16 able period, be used) by such taxpayer as  
 17 his principal residence.

18 “(2) SUBSTANTIALLY REHABILITATED.—The  
 19 term ‘substantially rehabilitated’ has the meaning  
 20 given such term by section 47(c)(1)(C); except that,  
 21 in the case of any building described in subsection  
 22 (d)(2), clause (i)(I) thereof shall not apply.

23 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-  
 24 cipal residence’ has the same meaning as when used  
 25 in section 1034.

1 “(4) CERTIFIED HISTORIC STRUCTURE.—

2 “(A) IN GENERAL.—The term ‘certified  
3 historic structure’ has the meaning given such  
4 term by section 47(c)(3).

5 “(B) CERTAIN STRUCTURES INCLUDED.—

6 Such term includes any building (and its struc-  
7 tural components) which is designated as being  
8 of historic significance under a statute of a  
9 State or local government, if such statute is  
10 certified by the Secretary of the Interior to the  
11 Secretary as containing criteria which will sub-  
12 stantially achieve the purpose of preserving and  
13 rehabilitating buildings of historic significance.

14 “(5) ENTERPRISE OR EMPOWERMENT ZONE.—

15 The term ‘enterprise or empowerment zone’ means  
16 any area designated under section 1391 as an enter-  
17 prise community or an empowerment zone.

18 “(6) REHABILITATION NOT COMPLETE BEFORE  
19 CERTIFICATION.—A rehabilitation shall not be treat-  
20 ed as complete before the date of the certification re-  
21 ferred to in subsection (d).

22 “(7) LESSEES.—A taxpayer who leases his  
23 principal residence shall, for purposes of this section,  
24 be treated as the owner thereof if the remaining  
25 term of the lease (as of the date determined under

1 regulations prescribed by the Secretary) is not less  
 2 than such minimum period as the regulations re-  
 3 quire.

4 “(8) TENANT-STOCKHOLDER IN COOPERATIVE  
 5 HOUSING CORPORATION.—If the taxpayer holds  
 6 stock as a tenant-stockholder (as defined in section  
 7 216) in a cooperative housing corporation (as de-  
 8 fined in such section), such stockholder shall be  
 9 treated as owning the house or apartment which the  
 10 taxpayer is entitled to occupy as such stockholder.

11 “(f) WHEN EXPENDITURES TAKEN INTO AC-  
 12 COUNT.—In the case of a building other than a building  
 13 to which subsection (g) applies, qualified rehabilitation ex-  
 14 penditures shall be treated for purposes of this section as  
 15 made—

16 “(1) on the date the rehabilitation is completed,  
 17 or

18 “(2) to the extent provided by the Secretary by  
 19 regulation, when such expenditures are properly  
 20 chargeable to capital account.

21 Regulations under paragraph (2) shall include a rule simi-  
 22 lar to the rule under section 50(a)(2) (relating to recap-  
 23 ture if property ceases to qualify for progress expendi-  
 24 tures).



1       “(g) ALLOWANCE OF CREDIT FOR PURCHASE OF RE-  
2   HABILITATED HISTORIC HOME.—

3               “(1) IN GENERAL.—In the case of a qualified  
4       purchased historic home, the taxpayer shall be treat-  
5       ed as having made (on the date of purchase) the  
6       qualified rehabilitation expenditures made by the  
7       seller of such home.

8               “(2) QUALIFIED PURCHASED HISTORIC  
9       HOME.—For purposes of this subsection, the term  
10      ‘qualified purchased historic home’ means any sub-  
11      stantially rehabilitated certified historic structure  
12      purchased by the taxpayer if—

13              “(A) the taxpayer is the first purchaser of  
14      such structure after the date rehabilitation is  
15      completed, and the purchase occurs within 5  
16      years after such date,

17              “(B) the structure (or a portion thereof)  
18      will, within a reasonable period, be the principal  
19      residence of the taxpayer,

20              “(C) no credit was allowed to the seller  
21      under this section or section 47 with respect to  
22      such rehabilitation, and

23              “(D) the taxpayer is furnished with such  
24      information as the Secretary determines is nec-

1           essary to determine the credit under this sub-  
2           section.

3           “(h) HISTORIC REHABILITATION MORTGAGE CREDIT  
4    CERTIFICATE.—

5           “(1) IN GENERAL.—The taxpayer may elect, in  
6           lieu of the credit otherwise allowable under this sec-  
7           tion, to receive a historic rehabilitation mortgage  
8           credit certificate. An election under this paragraph  
9           shall be made—

10           “(A) in the case of a building to which  
11           subsection (g) applies, at the time of purchase,  
12           or

13           “(B) in any other case, at the time reha-  
14           bilitation is completed.

15           “(2) HISTORIC REHABILITATION MORTGAGE  
16    CREDIT CERTIFICATE.—For purposes of this sub-  
17    section, the term ‘historic rehabilitation mortgage  
18    credit certificate’ means a certificate—

19           “(A) issued to the taxpayer, in accordance  
20           with procedures prescribed by the Secretary,  
21           with respect to a certified rehabilitation,

22           “(B) the face amount of which shall be  
23           equal to the credit which would (but for this  
24           subsection) be allowable under subsection (a) to  
25           the taxpayer with respect to such rehabilitation,

1           “(C) which may only be transferred by the  
2 taxpayer to a lending institution in connection  
3 with a loan—

4           “(i) that is secured by the building  
5 with respect to which the credit relates,  
6 and

7           “(ii) the proceeds of which may not be  
8 used for any purpose other than the acqui-  
9 sition or rehabilitation of such building,  
10 and

11           “(D) in exchange for which such lending  
12 institution provides the taxpayer a reduction  
13 (determined as provided in such regulations) in  
14 the rate of interest on the loan.

15           “(3) USE OF CERTIFICATE BY LENDER.—The  
16 amount of the credit specified in the certificate shall  
17 be allowed to the lender only to offset the regular  
18 tax (as defined in section 55(c)) of such lender. The  
19 lender may carry forward all unused amounts under  
20 this subsection until exhausted.

21           “(i) RECAPTURE.—

22           “(1) IN GENERAL.—If, before the end of the 5-  
23 year period beginning on the date on which the reha-  
24 bilitation of the building is completed (or, if sub-

1 section (g) applies, the date of purchase of such  
2 building by the taxpayer)—

3 “(A) the taxpayer disposes of such tax-  
4 payer’s interest in such building, or

5 “(B) such building ceases to be used as the  
6 principal residence of the taxpayer,  
7 the taxpayer’s tax imposed by this chapter for the  
8 taxable year in which such disposition or cessation  
9 occurs shall be increased by the recapture percent-  
10 age of the credit allowed under this section for all  
11 prior taxable years with respect to such rehabilita-  
12 tion.

13 “(2) RECAPTURE PERCENTAGE.—For purposes  
14 of paragraph (1), the recapture percentage shall be  
15 determined in accordance with the table under sec-  
16 tion 50(a)(1)(B), deeming such table to be amend-  
17 ed—

18 “(A) by striking ‘If the property ceases to  
19 be investment credit property within—’ and in-  
20 serting ‘If the disposition or cessation occurs  
21 within—’, and

22 “(B) in clause (i) by striking ‘One full year  
23 after placed in service’ and inserting ‘One full  
24 year after the taxpayer becomes entitled to the  
25 credit’.

1       “(j) BASIS ADJUSTMENTS.—For purposes of this  
2 subtitle, if a credit is allowed under this section for any  
3 expenditure with respect to any property (including any  
4 purchase under subsection (g) and any transfer under sub-  
5 section (h)), the increase in the basis of such property  
6 which would (but for this subsection) result from such ex-  
7 penditure shall be reduced by the amount of the credit  
8 so allowed.

9       “(k) PROCESSING FEES.—No State may impose a fee  
10 for the processing of applications for the certification of  
11 any rehabilitation under this section unless the amount  
12 of such fee is used only to defray expenses associated with  
13 the processing of such applications.

14       “(l) DENIAL OF DOUBLE BENEFIT.—No credit shall  
15 be allowed under this section for any amount for which  
16 credit is allowed under section 47.

17       “(m) REGULATIONS.—The Secretary shall prescribe  
18 such regulations as may be appropriate to carry out the  
19 purposes of this section, including regulations where less  
20 than all of a building is used as a principal residence and  
21 where more than 1 taxpayer use the same dwelling unit  
22 as their principal residence.”.

23       (b) CONFORMING AMENDMENT.—Subsection (a) of  
24 section 1016 of such Code is amended by striking “and”  
25 at the end of paragraph (24), by striking the period at

1 the end of paragraph (25) and inserting “, and”, and by  
2 adding at the end the following new item:

3 “(26) to the extent provided in section 23(j).”.

4 (c) CLERICAL AMENDMENT.—The table of sections  
5 for subpart A of part IV of subchapter A of chapter 1  
6 of such Code is amended by inserting after the item relat-  
7 ing to section 22 the following new item:

“Sec. 23. Historic homeownership rehabilitation credit.”.

8 (d) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply with respect to rehabilitations the  
10 physical work on which begins after the date of enactment  
11 of this Act.

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